

USAID/Uganda

Annual Report

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Uganda

Performance:

It has been 15 years since Uganda began the long road to economic recovery following two decades of economic chaos and civil unrest. Although the Ugandan economy grew at just 2.9 percent annually during the 1980s, it achieved an impressive 7.2 percent growth during the 1990s. This high rate of growth was the result of the re-establishment of law and order and macroeconomic stability, the rehabilitation of major infrastructure, and market liberalization, including opening up the economy to external trade, the liberalization of input markets, and the liberalization of export markets in coffee, cotton, and tea. However, these measures and achievements have taken the Ugandan economy only part way towards a sustained, rapid rate of economic growth. Since 1998/99-2002/03, the average annual GDP growth rate was 6.3%, but there is a slowdown in economic growth rate to 5.8% for 2003/2004 that is now being reflected in poverty indicators.

Poverty is increasing in Uganda with poor distribution of the benefits of economic growth. According to the latest figures from the 2002/3 National Household Survey, the percentage of the population in poverty increased from 34% in 2000 to 38% in 2003, which means that today 9 million people are living on less than \$1 a day compared to 7.8 million in 2000. Households depending on agriculture are the largest group among impoverished Ugandans. The escalation of armed conflict in northern Uganda has resulted in a sharp increase in the spread of poverty in northern Uganda, as well as to the neighboring districts in eastern Uganda. While strong GDP growth caused poverty to decline steadily from 56% in 1992 to 34% in 2000, the benefits of that growth were not equitably distributed across the population, with troubling regional and ethnic disparities. The disturbing rise in inequality over the past six years indicates there are serious underlying structural problems, since the economy continued to register a respectable 6.0% average growth rate over that time period, yet the benefits went disproportionately to the wealthiest 20% of the population. Uganda's 3.4% population growth rate continues to erode economic gains, deepen poverty, and counter other achievements in the social sectors. Population growth cut deeply into per capita GDP, which was estimated at \$250 by the World Bank in its 2004 World Development Report. Uganda is an MCA Threshold Country, but faces real challenges in addressing the low marks for the corruption and ruling justly categories. Transparency International has Uganda ranked in the "rampant" range in the Corruption Perception Index with a score of 2.6 (out of 10), which is only slightly better than scores of 1.9 in 2001, 2.1 in 2002, and 2.2 in 2003. President Museveni's apparent intended run for a third presidential term in 2006 does not encourage a platform for pluralism, and increased corruption related to election activities is a concern shared by many Ugandans and the international community alike. Despite continued security threats posed by the LRA, recent military successes by the UPDF and expressions of willingness by both the GOU and the LRA to talk, have prompted USAID and other donors to begin planning for a post-conflict period.

Though Uganda has been considered a model of economic reform and poverty reduction, HIV/AIDS prevention, and universal primary education, the Government of Uganda has revised its Poverty Eradication Action Plan and analysts have called upon policy planners and decision-makers to rethink the country's development strategy and invest heavily in agriculture, productive and social infrastructure, human development, and employment generation. For the first time, the Plan acknowledges security, conflict resolution and disaster management as key to poverty reduction, particularly in the war-torn North. Uganda ranks 146th in the Human Development Index (HDI), with a score of 0.493 (index range is from 0 to 1). Although there have been slight improvements since the 1996 score of 0.338, progress has been relatively slow and Uganda still needs structural reforms in its health and education sectors. With the low HDI, the Human Poverty Index is 36.4%, showing that 36.4% of the population is still vulnerable to death at a relatively early age (below 40), have a low adult literacy rate, and have a very low standard of living.

Attendance in health units increased from 0.72 to 0.79 visits per person per year, indicating an increase in the utilization of health services and increased health seeking behavior by the population. The DPT3 vaccination coverage, as a measure of immunization, registered an increase from 81% in 2002/3 to 83% in 2003/4. The proportion of expecting mothers delivering in health units has improved from 20% in 2002/3 to 24.4% in 2003/4, though this utilization of health facilities for safe deliveries is still very low. The shortage of trained health workers is still of concern, with only 68% of the approved posts currently being filled by trained health personnel. A national population based HIV/AIDS sero-prevalence survey is underway, and though data is not yet available, previous year sentinel sites indicate that the prevalence rate is leveling out, at around 6%. However, the prevalence rate in the three war-ravaged northern districts is expected to be double or triple the national rate. This area is also plagued by other health problems, including high rates of TB, malnutrition, and infant mortality.

Since the launch of universal primary education (UPE) in 1997, primary school enrollment increased from about 3 million in 1997 to 7.6 million in 2003. In 2004, total enrollment in primary school decreased slightly (by 300,000) to the 2002 level of 7.35 million. Enrollment of children with special needs also increased from 20,000 in 1997 to 218,286 in 2002, with 54% boys and 46% girls. Key education indicators are showing improvement over the period 2001 to 2004, with a decrease in the pupil classroom ratio from 134 in 2001 to 85 in 2004; and a decrease in the pupil teacher ratio from 58 in 2001, to 56 in 2003, to 54 in 2004. Despite these improvements, there are still numerous challenges in the education sector. Significantly, of the two million primary students that enrolled in Primary One in 1997 when UPE was introduced, only 406,000 sat for Primary Leaving Exams in 2003, reflecting a serious retention problem. Other challenges include a high repetition rate and low quality of education, as well as the fact that delivery of education services in the war-torn northern districts has been significantly disrupted.

P.L. 480 Title II resources are critical to USAID's program in Uganda. These resources are linked to the Mission's economic growth objective and are central to emergency and humanitarian assistance programs in northern and eastern Uganda. In 2004, the P.L. 480 Title II food aid portfolio in Uganda topped \$75 million (\$56 million in emergency resources, and \$19 million in non-emergency funds). P.L. 480 Title II emergency food aid provided by the United States was 60% of the total food aid distributed by the World Food Program to 1.6 million internally displaced persons (IDPs) in the conflict-affected areas of northern and eastern Uganda. P.L. 480 Title II non-emergency food aid is distributed to nearly 90,000 food insecure people affected by HIV/AIDS and malnourished children, as well as participants in food for work activities. Monetized food aid generated the proceeds needed to fund food security activities directly benefiting 110,000 poor rural families (about 660,000 people). Food security activities include increasing basic food crop production, rehabilitating feeder roads in order to increase market access, and providing training on household nutrition and hygiene.

U.S. Interests and Goals: The United States has security and humanitarian interests in helping Uganda tackle its economic and social problems. Stable political and economic conditions in Uganda and the East African region will discourage terrorism. Uganda has been a model in the fight against HIV/AIDS, poverty reduction, and economic reform, and is a strong ally in the war against terrorism. A prosperous and stable Uganda will increase the potential for Uganda to increase trade with the U.S. and reduce aid requirements. To that end, U.S. national interests are served in promoting democracy and governance, resolving conflict, developing human capacity, and expanding economic opportunity and growth in Uganda.

Donor Relations: Uganda's budget is highly dependent on donor assistance, with donor contribution expected to finance over half of the national budget this year. The World Bank is the largest donor to Uganda, providing budget and project support for rural development, capacity building, private sector development, infrastructure, civil service reform, HIV/AIDS, and rehabilitation of northern Uganda. Other multilateral donors include the United Nations Development Program, UNAIDS, United Nations Children's Fund, and the European Union. The leading bilateral donor to Uganda, the United Kingdom, focuses on justice, agriculture and environment, education, health, and public administration. The United States plays a key role in donor coordination as chair of sector working groups addressing conflict in northern Uganda, the Parliament, Democratic Processes, the ART Financing Committee, the Microfinance Forum,

and the Private Sector Donor Group. Overall, the United States is the third ranking donor to Uganda and the second largest bilateral donor after the United Kingdom.

Key Achievements: FY 2004 showed good results in the three mission program areas. The economic growth program's new core activities have benefited thousands of households, supported new enterprises, and worked to preserve and protect fragile ecosystems. As a PEPFAR focus country, the HIV/AIDS program has shown remarkable results related to the care, treatment and support of people affected by HIV/AIDS. Significant progress was made in Uganda's policy arena, and USAID assisted in the development, finalization and/or implementation of several key policies, including a national anti-retroviral (ARV) policy specifying priority groups for ARVs; national condom distribution guidelines; a national policy as well as standards for injection safety and health care waste management; a policy for HIV/AIDS in the Workplace for the education sector; a national policy and implementation plan for the care of orphans and other vulnerable children (OVC); and a national VCT policy. Technical support for the Election Commission and capacity building efforts to support existing and newly forming political parties were a focus for USAID during 2004, and in preparation for the upcoming Presidential election in 2006. USAID's focus on conflict resolution and reconciliation efforts in northern Uganda is showing some promise, given indications that the parties are seeking to commence negotiations.

1. **Economic Growth:** USAID's economic growth program achieved a number of important results in 2004 that will contribute to increased sustainable economic opportunities for rural sector growth. Overall, USAID-supported interventions to improve agricultural productivity have benefited over 165,000 households through the establishment of over 10,000 technology demonstration sites. The consumption of processed milk and other dairy products has increased by 1.5 million liters above what was consumed in 2003 (23.8 million liters); and cluster working groups to foster export competitiveness have been formed for the cotton, coffee, cut flowers, grains, and dairy sectors. In terms of biodiversity conservation, a recent census (2003) found that the mountain gorilla population is at its highest level since the 1960's, with 380 gorillas registered. Over 2,400 farmers were trained in the use of improved agroforestry technology; and 81,000 tree seedlings were distributed for timber, medicinal, and pole production. Approximately 62,000 agroforestry trees were planted on-farm for fuel wood and soil conservation. The number of borrowers in USAID-assisted institutions increased to 212,657, surpassing the 2004 target of 202,978. The number of savers also increased from 302,210 in December 2003 to 335,103 in June 2004; and the volume of savings increased from \$13.7 million to \$16 million over the same period. The number of new on- and off-farm enterprises created as a result of USAID-funded activities in 2004 is 15,760, surpassing the target 11,100 enterprises. The P.L. 480 Title II program currently assists 68,762 People Living with HIV/AIDS (PLWHA) beneficiaries that receive food from 109 food distribution points throughout Uganda. Of these beneficiaries, approximately 69% are children, 21% are women, and 10% are men.

2. **Improved Human Capacity:** In FY 2004, USAID expanded the reach of its integrated health, HIV/AIDS, and education programs to additional districts, facilities, and institutions, and increased the use of key social services. PIASCY, the in-school abstinence promotion and life skills program to prevent the spread of HIV, was operationalized with USAID's assistance including distributing teachers' handbooks to all 15,000 primary schools, and training of 45,000 primary teachers in the program. In addition, USAID supported in-service training of 18,000 primary school teachers in participatory teaching and mentoring techniques to improve the quality of education. Social marketing and promotion of HIV/AIDS, reproductive health, and malaria prevention products and services that are affordable and of high quality have increased exponentially. Condom sales to high risk groups (prostitutes, their clients and military personnel) increased 200% from 2003 to 2004, and sales of hormonal contraceptives have grown by 76%.

Subsidized insecticide treated nets (ITNs) have increased access to malaria protection in northern conflict districts while the commercial market for ITNs has been strengthened with a result in overall distribution of ITNs doubling to over 400,000. HIV/AIDS programming in 2004 led to an expansion of treatment for HIV/AIDS primarily through MOH hospitals from 6 in 2003 to 22 in 2004, serving a total of 23,000 patients on ARVs, including 778 orphans. USAID elevated national awareness of orphan and vulnerable children (OVC) issues through a year long district and national based participatory process, in collaboration with

UNICEF and under the leadership of the Ministry of Gender, Labor and Social Development, which culminated in the development of a national OVC policy and implementation plan. USAID also expanded its partner base to include parliamentarians as advocates for social services, civil society and faith-based organizations as direct implementers and as grantees. Sustainability has remained a key area of focus during FY 2004 as USAID programming strengthened logistics systems, institutional capacity of indigenous organizations, and social service delivery systems. At the district level, sustainability efforts center on strengthening the capacity to plan, coordinate and monitor services, as well as setting of priorities, allocation of funding, and grant solicitation.

3. Democracy, Governance and Conflict: Greater separation of powers has been reinforced by development of a core Members of Parliament (MP) group within Parliament with the skills to engage on policy issues and refine draft laws originated by the Executive. USAID support for MPs investigating the war in the North led to an unprecedented unanimous vote resulting in a Parliamentary resolution that the Executive should declare the conflict-affected North a disaster area. USAID's program carried out 9 separate capacity building activities for Parliamentarians including workshops around the Poverty Eradication Action Plan (PEAP) with the Budget Committee, briefing for the HIV/AIDS and Social Services Committee on the President's Emergency Plan for AIDS Relief (PEPFAR), training on debating skills and use of question time with 118 MPs, and a media campaign workshop focused on anti-corruption. These activities engaged a total of 343 MPs and 74 members of CSOs, including 1790 parliamentary staff and district level officials/other partners. Activities with political parties increased internal capacity on resource mobilization, organizational management, leadership, public and media relations, opinion polling and gender issues, in addition to building strong alliances with politically active civil society organizations (CSOs). Decentralization activities exceeded targets to enable local governments (LGs) to deliver improved services, with six of eight partner LGs among those collecting above 50% of local revenue targets-- excellent performance given the politically motivated abolition of the Graduated Tax, which accounts for up to 90% of local revenues. Local Government Accounts Committee hearings in six districts increased public awareness on issues of LG corruption and reinforced Parliament's role of oversight of public spending. Understanding among target LG Councillors of the legal framework was raised significantly and the advocacy skills of women Councillors and CSOs were strengthened.

USAID activities have mitigated the impact of conflict on communities in the North and promoted peace building and community dialogue in three other conflict and post-conflict regions. Uganda's Amnesty Commission has greater capacity, and 417 former Ugandan rebels from Kenya and Sudan have been repatriated and reintegrated. Support for traditional reconciliation ceremonies was provided to 417 former fighters. USAID provided screening and rehabilitation for 2,846 formerly abducted children and adult returnees; reunified 2,223 children and adults with their families; equipped 1,796 children with vocational skills/education; and provided 2,161 loans and grants to trainees. Local CSO initiatives expanded peace dialogue and engagement of leaders at regional and national levels. Sixty-five peace committees and 159 peace clubs in schools were created. Implementing partners worked with key GOU agencies to plan the first stakeholders' conference on national reconciliation; signed accords with universities and civil society partners for research and advocacy on reconciliation; and widened consultation with GOU, donors, the UN and civil society on plans for reconciliation and post-conflict development. USAID's initial support of a key negotiator on the northern Uganda conflict resulted in the negotiator being utilized significantly by the President and has contributed to current limited progress in the peace dialogues.

Gender: USAID addresses gender by focusing on educational opportunities for girls; developing gender-focused youth and health communications campaigns; engaging in policy dialogue with the GOU on reproductive health; expanding the availability of integrated HIV/AIDS prevention, care and treatment; targeting women and women's groups for technical assistance to increase agricultural production and productivity; focusing on microfinance and financial services to benefit women in business; strengthening the skills of women in leadership roles at the national and local government levels; and building community resilience in conflict areas, including addressing psychological and physical violence against women and girls.

Trade Capacity Building: USAID provides technical assistance and training to help Uganda develop a strong trade policy and investment strategy; meet obligations under a number of key trade agreements,

such as the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), the World Trade Organization (WTO), the COTONOU agreement, and AGOA; and to strengthen private sector competitiveness in order to position Ugandan products to attain differentiation within specific markets and increase the volume and value of Ugandan exports. Through USAID support, strategic information on trade positioning is made accessible to the private sector in order to maximize marketplace opportunities through increased awareness of possibilities on the part of both buyers in the marketplace and Ugandan suppliers.

Results Framework

- 617-001 Increased rural household income**
- 617-002 Critical ecosystems conserved to sustain biological diversity and to enhance benefits to society**
- 617-003 Quality basic education for an increased percentage of Ugandan children**
- 617-004 Increased service utilization and changed behaviors, related to reproductive/maternal/child health in selected districts**
- 617-005 Civic pluralism expanded and constitutional checks and balances implemented**
- 617-006 Improved foundation for reintegration of targeted areas of Northern Uganda**
- 617-007 Expanded Sustainable Economic Opportunities for Rural Sector Growth**

SO Level Indicator(s):

- Change in household income of households benefiting in USAID in USAID-funded activities
- Number of households supported by USAID activities
- Number of new off-farm enterprises created as a result of USAID-funded activities
- Number of new on- and off-farm jobs created as a result of USAID-funded activities

7.1 Increased Food Security for Vulnerable Populations in Selected Regions

7.2 Increased Productivity

7.3 Increased Competitiveness

7.4 Improved Enabling Environment for Sustainable Economic Growth

7.5 Reduced Environmental Degradation

617-008 Improved Human Capacity

SO Level Indicator(s):

- Adults receiving voluntary HIV counselling, testing and results
- Number of OVCs supported
- Primary Net Completion Rate(%)
- Total number of ITNs sold/distributed

8.1 Effective Use of Social Sector Services

8.2 Increased Capacity to Sustain Social Sector Services

8.3 Strengthened Enabling Environment for Social Sector Services

617-009 More Effective and Participatory Governance

SO Level Indicator(s):

- % of the value of graduated tax assessments collected (1 of the 8 districts supported)
- Number of bills substantially reviewed by parliamentary committees before enactment
- Number of formerly abducted children enrolled in school or vocational trainings

9.1 Devolution and Separation of Powers Strengthened

9.2 Conflict Mitigated and Reduced